

## Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 GSA-01 INT-05 SP-02 AID-05 EB-04 NSC-05

RSC-01 CIEP-01 TRSE-00 SS-15 STR-01 OMB-01 CEA-01

CIAE-00 COME-00 FRB-01 INR-05 NSAE-00 XMB-02 OPIC-03

LAB-01 SIL-01 DODE-00 PM-03 H-01 L-02 PA-01 PRS-01

USIA-06 /080 W

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R 152215Z NOV 74 ZDK

FM AMEMBASSY PANAMA

TO SECSTATE WASHDC 2322

C O N F I D E N T I A L PANAMA 6600

EO 11652: GDS

TAGS: EMIN, PN

SUBJ: CERRO COLORADO COPPER DEVELOPMENTS

REF: PANAMA A-198

SUMMARY: SWEEPSTAKES FOR CONTRACT TO EXPLOIT CERRO COLORADO  
COPPER DEPOSIT APPEARS TO BE ENTERING MORE ACTIVE PHASE.  
SPECIAL COMMISSION CHARGED WITH NEGOTIATING TERMS OF CONTRACT  
HAS RESPONDED TO PRESS REPORTS THAT AGREEMENT BETWEEN GOP AND  
CONSORTIUM FORMED BY CANADIAN JAVELIN (CJ) IS EXPECTED SHORTLY  
WITH PUBLIC STATEMENT THAT ACTUAL NEGOTIATIONS ARE YET TO BEGIN  
AND THAT GOP REMAINS FREE TO DISCUSS CONTRACT TERMS WITH OTHER  
INTERESTED PARTIES AT ANY TIME. GROUP LED BY KENNECOTT BELIEVES  
IT IS STILL IN GOOD POSITION TO EMERGE AS ULTIMATE WINNER.  
END SUMMARY.

1. PETER LARUSH, VICE PRESIDENT OF CJ'S PANAMANIAN SUBSIDIARY,  
RAVONIA S.A., CONFIRMED TO EMBOFF REPORTS THAT CONSORTIUM IS  
BEING FORMED FOR EXPLOITATION OF CERRO COLORADO, COMPOSED OF CJ;  
NORANDA MINES LTD. (CANADIAN, ASSETS \$1.4 BILLION); C. ITOH  
AND CO., LTD. (JAPANESE); AND BRITISH KYNOCH METALS, LTD., WHICH  
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IN TURN IS A CONSORTIUM OF MAJOR BRITISH DISTRIBUTORS AND CONSUM-

ERS OF METALS--BRITISH INSULATED CALLENDER'S CABLES (ASSETS \$1.0 BILLION), DELTA METAL (ASSETS \$600 MILLION), AND IMPERIAL METALS INDUSTRIES. LARUSH STATED THAT MEMBERS OF GOP SPECIAL COMMISSION HAD RECENTLY VISITED NORANDA MINING OPERATIONS IN CANADA AND EXPRESSED OPTIMISM THAT CONTRACT NEGOTIATIONS WOULD BE SUCCESSFULLY CONCLUDED BY END OF MONTH.

2. LARUSH SAID THAT BRITISH KYNOCH METALS WOULD CONTRACT TO BUY FULL PRODUCTION OF 150-160,000 METRIC TONS OF BLISTER COPPER ANNUALLY, WHICH SHOULD BE REACHED WITHIN 4 1/2 TO 5 YEARS OF START OF CONSTRUCTION. HE SAID FINANCING FOR \$600 MILLION PROJECT WOULD COME FROM WITHIN CONSORTIUM.

3. LOCAL PRESS REPORTS REFLECTING CJ VIEW THAT FAVORABLE DECISION ON CONTRACT EXPECTED SOON DREW RESPONSE FROM SPECIAL COMMISSION ON NOVEMBER 15 TO EFFECT THAT ACTUAL NEGOTIATIONS WILL COMMENCE ONLY AFTER RECEIPT OF CJ'S RESPONSE TO GOP'S PROPOSED "BASES OF NEGOTIATION" AND AFTER ADDITIONAL TECHNICAL, ECONOMIC AND FINANCIAL DATA REQUESTED OF CJ HAS BEEN STUDIED. STATEMENT FURTHER INDICATES THAT, WHILE CJ HAS FIRST OPTION TO NEGOTIATE FOR CONTRACT, GOP REMAINS FREE AT ANY TIME TO BEGIN DISCUSSIONS WITH OTHERS INTERESTED IN OBTAINING IT. IF WITHIN REASONABLE TIME NO AGREEMENT WITH CJ IS REACHED, GOP WILL PAY COMPANY COSTS OF EXPLORATION AND STUDIES UNDERTAKEN PLUS INDEMNITY; ALL TECHNICAL, ECONOMIC, AND FINANCIAL DATA CONCERNING CERRO COLORADO WOULD THEN REMAIN AT DISPOSITION OF GOP.

4. JOHN CLARK OF PORTER INTERNATIONAL, REPRESENTING KENNECOTT'S INTERESTS, INFORMED EMBOFFS THAT KENNECOTT IS PREPARED TO ASSOCIATE ITSELF WITH DUTCH, GERMAN, AUSTRALIAN, AND CANADIAN FIRMS IN CONSORTIUM WHICH HE BELIEVES WILL BE IN GOOD POSITION EVENTUALLY TO WIN CONTRACT. CLARK DID NOT IDENTIFY COMPANIES INVOLVED, BUT INDICATED FINAL COMPOSITION OF GROUP WOULD DEPEND ON WISHES OF GOP. HE SAID CANADIAN COMPANY IN GROUP WAS NOT NORANDA MINES, BUT HE BELIEVED THAT NORANDA NOT FINALLY COMMITTED TO CJ CONSORTIUM AND MIGHT ATTEMPT TO WIN CONTRACT ON ITS OWN OR EVEN ASSOCIATE ITSELF WITH KENNECOTT. IN ANY CASE, CJ GROUP WITHOUT NORANDA WOULD HAVE NO HOPE OF SUCCESS.

5. CLARK SAID THAT PRINCIPAL PROBLEM FOR KENNECOTT AT MOMENT  
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WAS ITS RELUCTANCE TO BEGIN NEGOTIATIONS WITH GOP WHILE CJ REMAINED IN PICTURE, AS IT FEARED CHARGES OF CLAIM-JUMPING. CJ APPARENTLY STILL HAS NOT RELEASED IMPORTANT TECHNICAL DATA CONCERNING EXPLORATIONS TO GOP, BUT RATHER IS HOLDING INFORMATION AS TRUMP CARD IN CONTRACT NEGOTIATIONS. HE FELT THAT FACT KENNECOTT INSISTED ON PLAYING MATTER STRAIGHT, IN CONTRAST TO CJ, WOULD STRENGTHEN ITS HAND WITH GOP.

6. COMMENT: FACT THAT PRELIMINARY NEGOTIATIONS WITH CJ HAVE STRETCHED OVER SUCH LONG PERIOD IN SPITE OF GROWING ANXIETY ON PART OF HIGHEST GOVERNMENT OFFICIALS TO GET ON WITH PROJECT IS INDICATIVE OF RELUCTANCE ON PART OF GOP TO ENTRUST COMP-ANY WITH ANYTHING OF SUCH IMPORTANCE TO COUNTR'S ECONOMIC FUTURE. QUESTION REMAINS WHETHER CJ'S APPARENT ABILITY TO PUT TOGETHER CONSORTIUM WITH SUFFICIENT ECONOMIC CLOUT TO MAKE UP FOR ITS OWN LACK OF RESOURCES WILL BE SUFFICIENT TO OVERCOME THIS RELUCTANCE.

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## Message Attributes

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